

**BILL #** SB 1032

**TITLE:** kindergarten; first grade; age requirement

**SPONSOR:** Mead

**STATUS:** As Introduced

**REQUESTED BY:** Senate

**PREPARED BY:** Steve Schimpp

## **FISCAL ANALYSIS**

### **Description**

The bill would strike statutory language that currently permits school districts to admit into Kindergarten children who turn 5 after September 1 of the school year and admit into 1<sup>st</sup> Grade pupils who turn 6 after September 1 of the school year.

### **Estimated Impact**

We estimate that the bill would reduce General Fund costs for Basic State Aid by about \$(9,952,000) in FY 2005 and \$(23,362,000) in FY 2006 relative to current law because fewer Kindergarten and 1<sup>st</sup> Grade pupils would be included in the statewide Average Daily Membership (ADM) count that qualifies for Basic State Aid funding.

### **Analysis**

A.R.S. § 15-821(C), currently permits school districts to enroll in Kindergarten pupils who turn 5 after September 1<sup>st</sup> of the school year or enroll in 1<sup>st</sup> Grade pupils who turn 6 after September 1<sup>st</sup> of the school year. “Early Kindergarten” and “early 1<sup>st</sup> Grade” students increase Basic State Aid costs because “early Kindergarten” pupils otherwise would not be in public school until the following year and “early 1<sup>st</sup> Grade” pupils otherwise would be enrolled in Kindergarten, where they would only count as being 0.5 rather than 1.0 ADM pupils for the year (A.R.S. § 15-901.A6ai).

Data from the Arizona Department of Education Student Accountability Information System (SAIS) indicate that 2,668 ADM pupils were enrolled in “early Kindergarten” and 3,993 ADM pupils were enrolled in “early 1<sup>st</sup> Grade” in FY 2003. This implies that the statewide ADM count for FY 2003 was 4,664 ADM pupils higher than it would have been without “early Kindergarten” and “early 1<sup>st</sup> Grade” because none of 2,668 ADM for “early Kindergarten” would have been included in the count and only half of the 3,993 ADM for “Early 1<sup>st</sup> Grade” would have been included. Again, only half of the “early 1<sup>st</sup> Grade” ADM would have been included because each “early 1<sup>st</sup> Grade” pupil would have been in Kindergarten apart from the program and Kindergartners count as being only 0.5 ADM pupils each under the K-12 funding formula, as described above.

We estimate that eliminating “early Kindergarten” and “early 1<sup>st</sup> Grade” would reduce state General Fund costs for Basic State Aid by about \$(9,952,000) in FY 2005 and \$(23,362,000) in FY 2006. The bill would generate a lower savings for FY 2005 than for FY 2006 because non-growing school districts that have “early Kindergarten” and “early 1<sup>st</sup> Grade” ADM in FY 2004 would still receive funding for those pupils in FY 2005. This is because the K-12 equalization formula funds non-growing districts based on their “prior year” rather than “current year” ADM counts.

The estimated General Fund savings of \$(23,362,000) for FY 2006 assumes an average cost of about \$4,600 per K-8 pupil. It also assumes an ADM count of about 5,130 pupils for “early Kindergarten” and “early 1<sup>st</sup> Grade” for FY 2006, based on 3.5% estimated ADM growth per year after FY 2003. In addition, our FY 2005 and FY 2006 estimates both assume that 99% of all savings from the bill would accrue to the state because only non-state aid school districts would experience a reduction in “local share” costs under it. This is because only about 1% of the cost or savings from changes in ADM counts statewide typically accrues to “non-state aid” districts, which are school districts that do not receive Basic State Aid because their strong property tax base enables them to fully self-fund the K-12 funding formula. Districts that *do* receive state aid would *not* experience a change in “local share” costs under the bill because it would not change either their tax base or their “local share” tax rates, which for them are the only factors that affect their “local share” costs.

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## **Local Government Impact**

We estimate that the bill would reduce K-12 equalization funding to “non-state aid” school districts by about \$99,500 in FY 2005 and \$236,000 in FY 2006. These amounts equal 1% of the total estimated state + local impact of the bill under our estimates, as described above.

It is possible that the reduction in K-12 funding to non-state aid school districts under the bill would reduce the amount of local property taxes that “non-state aid” school districts would have to collect under the bill, since they would now need to collect less tax revenue in order to fully self-fund the K-12 formula. This would not automatically occur, however, because of the “minimum QTR” provision in A.R.S. § 15-992(B), which applies to many “non-state aid” school districts. Those provisions require “non-state aid” school districts to levy at least 50% of the QTR, even if they need less than that amount in order to fully self-fund the K-12 formula, and to remit any “surplus” QTR monies to the state.

2/5/04